10/23/02 Substantive changes adopted by the full Commission
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PEAK LOAD REDUCTION PROGRAM

INNOVATIVE EFFICIENCY AND RENEWABLES GUIDELINES

1. Program Element Summary

The Overall Program Guidelines contain general information and procedures that apply to the entire program. Consult the Overall Program Guidelines in addition to this Program Element Guideline.

The AB 970 Peak Load Reduction Program includes direction to the Commission to undertake specific demand side activities. The program, which is codified in Public Resources Code (PRC) section 25555, provides for funding in certain subject areas. The categories listed in PRC section 25555(a)(1) and (a)(2) are detailed in five designated Program Elements, with specific criteria and requirements for funding. PRC section 25555(a)(3) includes funding for renewable energy development.

In addition to funding the areas specifically designated in PRC section 25555, the Commission is providing an opportunity for individuals and entities to propose projects that do not fall within the specific statutory categories, but still meet the statutory criteria. One of the Program Elements is devoted to funding two areas: 1) the general demand reduction proposals that are not eligible for funding under the other five Program Elements, and 2) renewable energy development.

The “Innovative Efficiency and Renewables” Program Element addresses the direction above. This program element is designed to fund the most competitive proposals that can deliver the maximum peak electricity demand savings with the available funds. Applicants may request up to $2 million. The Committee will give priority consideration to applications that request $250 or less per kW of estimated peak electricity demand savingsIf a project is selected, the Commission will reimburse actual project costs up to the amount requested in the application.

2. Amount Allocated for Subject Area

The initial Commission allocation for this program element is $8 million. Funds allocated for this program element may be increased or decreased.

3. Schedule

Awards are ongoing.

4. Definitions

- "Innovative Efficiency or Renewables Proposal" means a proposal for a project that will reduce peak electricity demand on the California electricity supply system, during the summer afternoon peak period as defined in the Overall Program Guidelines, and that does not fall within the program areas specified in PRC section 25555 (a)(1) and (a)(2). This also includes proposals for renewable resources as specified in PRC section 25555(a)(3), which either mitigate system demand, or provide electricity to the electricity supply system during the peak period.

- "New Savings" means that the load reduction or supply contribution resulting from the project is not a continuation of previous load reduction or supply contribution. It must be a reduction from the load that existed in the previous year's peak period, or a reduction from a load planned to be on the electricity system in the future, or a new contribution to electricity supply that was not available during the previous year's peak period.

5. Eligible Applicants

Any entity that has the authority to implement the project or projects submitted for an award, can demonstrate experience in the process or technology proposed, and can demonstrate a history of completing projects on schedule. Investor-owned utilities are not eligible to be applicants. However, recipients may contract with investor-owned utilities to provide goods or services for a project.

6. Eligible Projects

Projects eligible for funding in this Program Element must reduce peak electricity demand or augment supply. The projects may be demand-side management (efficiency or load management). The projects also may qualify under PRC 25555(a)(3) as supply-side: "Renewable energy development, except hydroelectric development, for both onsite distributed energy development and for commercial scale projects through which awards may be made by the Commission to reduce the cost of financing those projects." Distributed generation projects must use renewable energy sources. Distributed generation projects using fossil fuel sources are ineligible for this program. Fuel switching projects that replace electrical load with fossil fuel sources are also eligible for funding, although the evaluation criteria will favor projects that reduce peak electricity demand or rely on renewable resources over fuel switching projects.

The peak electricity demand savings must be new savings, not a continuation of peak reduction achieved in the past nor continued operation of an existing project. If the

project involves restarting a facility, equipment or system that has not been operating for two or more years, the applicant must guarantee operation for at least the next 3 years that reduces or serves system peak electrical load.

The project must receive no other Commission grant or contract funds with the following exception. A renewable energy project may receive "buydown funding" from the Emerging Renewables Buydown Program. However, the project shall not have received approval for "buydown funding" by the date that the AB 970 grant proposal is submitted. If a project is ultimately approved to receive funding from both the Peak Load Reduction and Emerging Renewables Buydown programs, in no case may the total funding from both sources exceed the total project cost.

If the project is underway prior to applying for funds, the applicant must demonstrate that the project will result in peak electricity demand savings, by:

- Changes in the equipment purchased or its installation
- Accelerating installation and achieving savings at least one year earlier than would have occurred

Commission-funded tasks cannot begin prior to the date the Commission makes an award. In no case are expenses incurred prior to the date of award eligible for reimbursement.

Contracts, grants or interagency agreements may be awarded to entities to provide peak demand reduction either in their own facilities, or through contracts with other facility owners. The program may use non-competitive selection methods.

7. Type and Method of Funding

The Commission may accept proposals for non-competitive contracts and grants and interagency agreements. The Commission will screen applicants and projects for eligibility and then evaluate the merits of the applicants and projects using evaluation criteria including, at a minimum, those detailed below. All eligible proposals may then be scored and ranked. The Commission may withhold for consideration proposals requesting more than $250 per kW pending determination of whether proposals requesting $250 per kW or less will fully subscribe the available funds. Awards may be recommended starting with the highest scored proposals until all funds are awarded. Following the initial awards, funds may be awarded to the next highest-scoring project or projects if funds become available for any reason.

The maximum award amount per eligible applicant is $2 million. Although there is no minimum award amount, the minimum peak electricity demand savings per applicant is 500 kilowatts. The minimum project size for renewable generation projects is 250

kilowatts. An application may include more than one project at multiple sites. All projects at a particular site must be included in one application.

8. Evaluation Criteria

Applications for funding will first be screened for completeness, accuracy of savings estimates and reasonableness of assumptions used in calculations. All applications must contain an analysis of project costs and peak electricity demand savings or supply enhancement and be signed-off by a registered engineer licensed in the State of California. The analysis must clearly state all assumptions used and the basis for the assumptions. Applications may be rejected at this stage if they fail to meet these requirements along with the eligibility requirements stated in the Overall Program Guidelines.

After applicants and projects are screened for eligibility, projects will be evaluated based on the following criteria:

a. The degree to which the project reduces demand on California's electricity supply system during the peak period.

b. The cost per average peak kW reduction, calculated by dividing the requested funding amount by the estimated peak kW reduction. This criterion will be heavily weighted in order to maximize the savings that can be achieved using the available funds. Applicants who request a smaller share of the total project cost will be more likely to be awarded funds than those that request funding for the full project cost.

c. The constancy and reliability of the peak electricity demand savings

d. The probability that the project will succeed and be operational by the completion date anticipated in the proposal.

e. The reasonableness of timing and verifiability of project milestones provided in the application

f. The probability that the peak electricity demand savings will continue in future years.

g. The verifiability of the load impacts of the project.

The Committee reserves the right to apply additional policy criteria as warranted. All criteria shall be detailed in the solicitation.

9. Application Process

The Commission released a grant solicitation in November 2000. The solicitation specified the information to be included in the application, and the steps in the

application process. Estimated peak electricity demand savings or supply enhancement must be included in the application.

The Commission may also accept proposals for non-competitive contracts and grants and interagency agreements. Any non-competitive proposal must include the information required of entities responding to the grant solicitation referenced above.

10. Approval of Awards

The Committee will select applications to recommend for award. The Commission will make the awards at a Commission business meeting.

11. Award Payments and Invoicing

The Commission will pay invoices for project costs after the project is complete and after the recipient demonstrates or certifies that it has achieved the load reduction or supply augmentation estimated in the program application. Payments will be made when the recipient submits the following: an invoice for project costs, engineering certification where appropriate; and evidence that the project is functioning.

Payments will be based on the ratio of dollars requested per estimated kW of peak electricity demand savings (or supply augmentation) expected to be achieved as documented in the original proposal. If the peak electrical demand savings or supply augmentation falls short of the original estimates, reimbursement may be reduced proportionally from the original award.
If the recipient fails to reach predetermined performance milestones during project development, the recipient will be required to explain how the project schedule can recover to the Commission project manager's satisfaction, or the award may be rescinded.